

BY MICHAEL GREENSTONE AND ADAM LOONEY

For most of the past century, a good job was a ticket to the middle class.

Hitched to the locomotive of rapid economic growth, the wages of the typical worker seemed to go in only one direction: up. From 1950 to 1970, the average earnings of male workers increased by about 25 percent each decade. And these gains were not concentrated among some lucky few. Rather, earnings rose for most workers, and almost every prime-aged male (ages 25-64) worked.

Technological advancement and ever-broadening global markets brought opportunities that increasingly educated American workers raced to embrace. This resulted in steadily rising living standards, generations of children who outearned their parents, and a thriving middle class.

But in the mid-1970s, that pattern abruptly changed. Technological change and globalization continued to power both economic growth and the total earnings of the work force. Women, who were entering the market at increasing rates, enjoyed the fruits of that prosperity in rising wages. But the fortunes of a large segment of workers – male workers lacking specialized skills – was unhitched from the engine of growth.

Over the past 40 years, a period in which U.S. GDP per capita more than doubled after adjusting for inflation, the annual earnings of the median prime-aged male has actually

fallen by 28 percent. Indeed, males at the middle of the wage distribution now earn about the same as their counterparts in the 1950s! This decline reflects both stagnant wages for men on the job, and the fact that, compared with 1969, three times as many men of working age don't work at all.

There are obvious challenges to making comparisons about income and the relative quality of life over a long span that included significant advances in health care as well as any number of new goods, ranging from personal computers to sunscreen. Nevertheless, the reality that the *relative* income of a large portion of working Americans has sharply declined is indisputable.

What could have caused this divergence? Standard economic theory tells us that it is a consequence of reduced earnings opportunities and/or a greater desire to spend time outside the formal labor market. And while the latter is a plausible contributor – as society becomes wealthier, people may well wish to take more of their income as leisure – the evidence suggests that the primary cause is declining opportunity.

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Indeed, the earnings deterioration has been concentrated among specific subgroups of men rather than being equally shared – as would be the case if a cultural shift had led Americans to become more interested in time off. In particular, the decline is concentrated among less-educated men.

That's consistent with the large body of evidence suggesting that these changes have been driven by reductions in the demand for the kind of work that men used to do, in favor of jobs that many are less qualified to do. The most salient demonstration of these labor-

market forces is the rising return attributable to a college education. In 1969, the average male college graduate working full time earned about 55 percent more than an average worker with only a high school diploma. Four decades later, this wage premium was 116 percent. Powerful economic forces, including technological change and globalization, have reduced job opportunities for less-educated, less-skilled workers while increasing them for higher-skilled workers.

The disruptive effects of changing trade patterns and “labor saving” innovation have been ever present in American economic history. In the past, however, technological advancements benefited a majority because most workers adapted by investing in skills and education. When mechanization replaced unskilled labor in factories in the first half of the 20th century, Americans with high school degrees found better jobs elsewhere.

The difference today is that men have largely stopped upgrading their skills – the portion of young men who complete college has hardly budged since the late 1970s. The reasons are not entirely clear, but include the end of the Vietnam War (which had artificially inflated college attendance rates among men) and a temporary narrowing of the wage gap in the 1970s as the supply of skilled workers in the labor force surged.

In any event, ordinary men who face diminishing job prospects are less likely to earn middle-class wages.

THE RACE TO THE TOP

The 20th century was the century of the wage earner. Impressive economic growth translated into abundant job opportunities and rising wages. A surge in investment in education vaulted the U.S. work force to the top of the global heap in both education and productivity. In fact, according to Claudia Goldin

and Larry Katz of Harvard, almost a quarter of the increase in U.S. labor productivity between 1915 and 1999 can be attributed to a better-educated work force.

Each of these trends – growing job opportunities, rising wages, increasing educational attainment, and increasing productivity – made the vast majority of workers better off. One result: what labor economists refer to as the “great compression” in income during the first half of the century. The share of income accruing to the middle class increased, and that share was sustained until the 1970s. It was this remarkable track record of steadily increasing, widely shared prosperity that prompted President Kennedy to note in 1963 that “a rising tide lifts all the boats.”

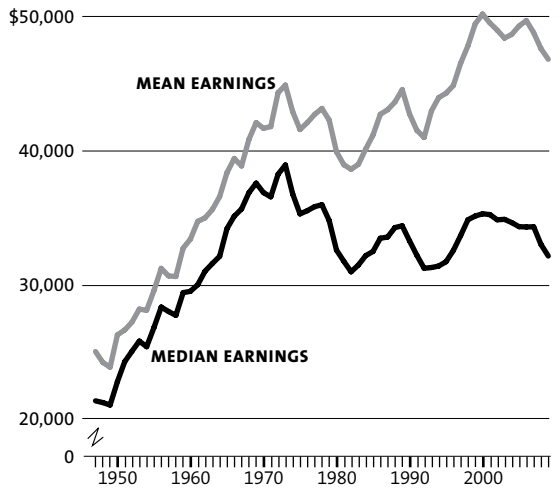
Virtually all men rode the tide from 1947 (the first year that annual earnings data were available) to the mid-1970s. Both the average earnings and the median earnings of male workers surged in parallel, implying that the guys in the middle shared in the economy-wide gains in wages.

Starting in the early 1970s, however, the median wage diverged from the average, and the median (adjusted for inflation) has been stagnant ever since. Even when men who work less than full time are excluded, the median wage has been going nowhere.

For some groups, the story is much worse. The earnings of the median male high-school dropout who works full time have declined by 38 percent, while the earnings of the median male with only a high-school degree have fallen by 26 percent.

Actually, even these numbers hide the depth of the decline, since they are based only on men who are working. But between 1960 and 2009, the share of men without any formal labor-market earnings rose from 6 percent to 18 percent. What’s more, the percentage of men working full time has decreased

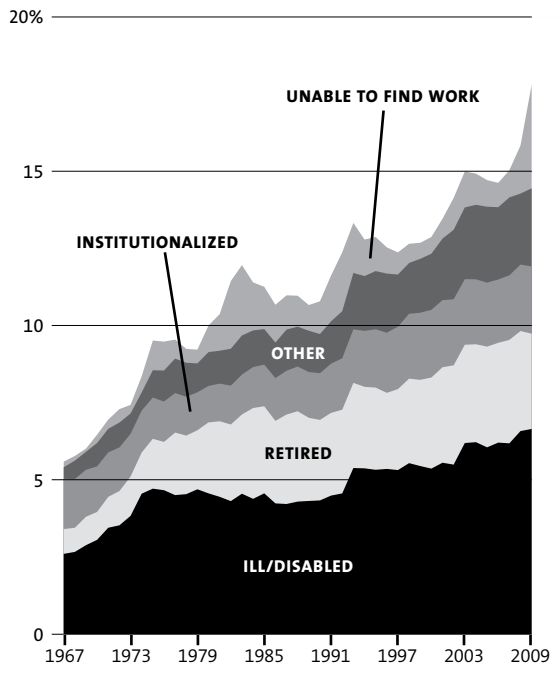
ANNUAL EARNINGS FOR MEN (\$2009)



NOTE: Sample includes men age 14+ from 1947-1979, and men age 15+ from 1980 onwards. Annual earnings data on the male population age 25-64 are not available prior to 1963.

SOURCE: U.S. Census Bureau, Current Population Survey.

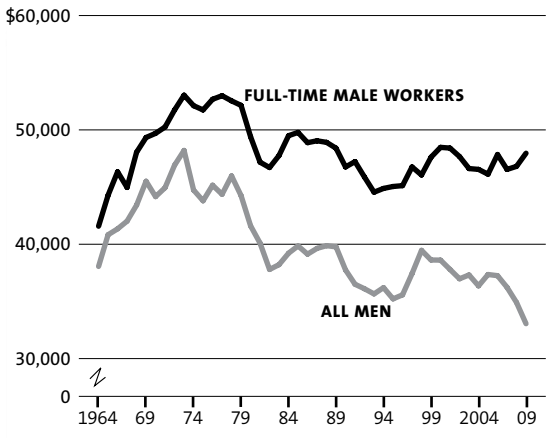
RISING NON-EMPLOYMENT AMONG MEN



NOTE: Sample includes men ages 25-64 not working the entire year.

SOURCE: U.S. Census Bureau, Current Population Surveys.

**MEDIAN ANNUAL EARNINGS
(\$2009)**



NOTE: Men Ages 25-64. Adjusted for inflation using CPI-U.
SOURCE: "The Problem With Men: A Look at Long-Term Employment Trends,"
 The Hamilton Project, December 2010. (http://www.brookings.edu/opinions/2010/1203_jobs_greenstone_looney.aspx)

from 83 percent to 66 percent over the same period. According to the Census' Current Population Survey, the largest contributors to rising nonemployment can be categorized, in order of importance, as "ill or disabled," "unable to find work," "retired," "homemaker," "in school" and "institutionalized" (mostly in prisons).

Another clue to the causes of nonemployment can be found in examining the characteristics of those who do not work. Labor-market dropouts are more likely to be low skilled and less educated: nonemployment among men without high school diplomas increased by 23 percentage points (from 11 to 34 percent) and among those with only a high school degree by 18 percentage points (from 4 to 22 percent). Thus, the biggest declines in employment occurred among those groups that also had the biggest declines in market wages, suggesting the same economic forces may be at work.

The consequence of this selective withdrawal from the labor market is that the pool

of men working today is more skilled than the men working 40 years ago. It follows that comparisons of changes in male workers' earnings conflate changes in labor market opportunities with changes in the skills of men who work. One way to untangle the two phenomena is to examine the median earnings among all working-age men – this time including those who earn nothing at all.

What appeared as stagnant earnings for workers is really an outright decline in wages for the median men of working age. The median wage of the American male has declined by almost \$13,000 after accounting for inflation in the four decades since 1969. (Using a different measure of inflation suggests a smaller, but still substantial, drop in earnings.) Indeed, earnings haven't been this low since Ike was president and Marshal Dillon was keeping the peace in Dodge City.

Note that while the data we use are just for wages, the evidence suggests that total compensation – including fringe benefits like employer-provided health insurance – has also declined for the median male worker. In 1979 (the earliest year for which we have data on health insurance), 76 percent of workers earning the median wage received health insurance from their employers. In 2009, only 54 percent did. Research by Brooks Pierce (U.S. Bureau of Labor Statistics) suggests that the pattern of inequality in total compensation mirrors that in wages alone.

As we pointed out earlier, one possible (and benign) explanation for the rise in nonemployment is that as societies become wealthier, people retire earlier. But consider just men between the ages of 30 and 50, a group for whom retirement is rare. The median earnings of all men in this group declined by 27 percent between 1969 and 2009, which is nearly identical to the 28 percent decline for those who are 25 to 64 years old. The

CHANGE IN MALE EARNINGS AND EMPLOYMENT 1969–2009

	MEAN EARNINGS (PERCENT CHANGE)	MEDIAN EARNINGS (PERCENT CHANGE)			EMPLOYMENT (PERCENTAGE POINT CHANGE)		
	Weekly Earnings, Full-Time, Full-Year Workers	Weekly Earnings, Full-Time, Full-Year Workers	Annual Earnings of All Workers	Annual Earnings of Male Population	Working Full-Time	Working Part-Time	Not Working
Ages 25–64	13%	-1%	-14%	-28%	-16.5	4.7	11.8
Ages 30–50	9	-5	-16	-27	-15.5	5.3	10.2
By Education							
Less than High School	-29	-38	-47	-66	-31.8	8.4	23.4
High School Only	-20	-26	-34	-47	-26.2	8.5	17.8
Some College	-13	-17	-24	-33	-19.2	5.6	13.6
College Degree	11	-2	-7	-12	-6.6	0.7	6.0
By Marital Status							
Married	22	-1	-2	-13	-11.6	3.4	8.3
Not Married	12	-2	-14	-32	-11.0	2.1	8.9

NOTE: Adjusted for inflation using the CPI-U. Unless otherwise specified, values refer to men 25–64. “Full-Time, Full-Year Workers” includes men who worked at least 35 hours per week for more than 50 weeks. “Working Full-Time” includes men who worked at least 35 hours per week for at least 40 weeks. “Not working” is defined as having zero earnings in the previous year.

decline in the percentage of the population working in this group was roughly 10 percentage points (very close to the decline in work among those 25 to 64), with only 0.5 percentage points of this decline coming from increases in retirement.

Surely, the most astonishing statistic to be gleaned from the trend data is the deterioration in the market outcomes for men with less than a high school education. The median earnings of all men in this category have declined by 66 percent [*not a misprint*]. At the same time, this group has experienced a 23 percentage point decline in the probability of having any labor-market earnings. Roughly 10 percentage points of the 23 percentage points is attributable to the fact that more men are reporting disabilities, even though work in physically demanding jobs has been declining for many decades. Men with just a high school diploma did only marginally better. Their wages declined by 47 percent and their participation in the labor force fell by 18 percentage points.

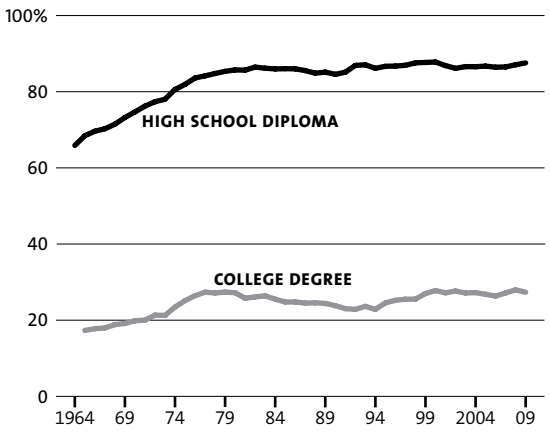
The median earnings of all men with less than a high school education have declined by 66 percent.

This pattern across education categories, in which the decline in labor market participation is larger for those with lower wages, is, of course, consistent with the view that the opportunities for the less educated have been dropping sharply. Indeed, if rising affluence were the cause of lower participation, one would expect higher-income groups to be retiring first. Yet, the opposite is true.

The statistics also reveal that rising wage inequality is due to the concentration of wage increases at the very top of the income distribution, both overall and within education categories. Indeed, thanks to the success of workers at the top, average weekly earnings for full-time workers have risen 13 percent over the past 40 years, even as median weekly

MALE EDUCATIONAL ATTAINMENT

PERCENTAGE OF MEN AGES 25–34



NOTE: “High School Diploma” refers to men with at least 12 years of schooling. “College Degree” refers to men with at least four years of college.

SOURCE: U.S. Census Bureau, Current Population Surveys.

earnings for full-time workers have stagnated. Within each educational group, average weekly earnings have outpaced median earnings. These skewed increases in earnings illustrate the striking increase in inequality over the past several decades.

WHAT HAPPENED?

Goldin and Katz describe the labor market history of the past 100 years as a race between education and technology. So-called “labor-saving” innovations that transformed employment in agriculture, manufacturing and, more recently, information technology did not reduce demand for labor in the aggregate. Instead, technological advancements generated opportunities for increasingly skilled workers. Millions of workers were no doubt displaced by these shifts. However, many of them were able to capitalize on the increasing demand for skilled workers, ultimately obtaining higher paying jobs. Surging educational attainment allowed them to stay ahead of the technological curve. From 1940 to 1980, the percentage of young men ages 25 to

34 who completed four-year college degrees increased from 7 percent to 27 percent.

The difference today is that, while changes in the market driven by technology and globalization have continued, the skills of American men are no longer keeping up. A look at recent labor market entrants (young men with less than 10 years of work experience) is particularly telling. In the 1960s and early 1970s, the supply of young college-educated men relative to young high-school-educated men increased rapidly. But male college completion rates peaked in 1977, a few years after the end of the Vietnam War, and then barely changed over the next 30 years. This slowdown in educational attainment for men is puzzling because attainment among women has continued to rise, and higher education is richly rewarded in the labor market.

In fact, one result of the changes in the demand for skilled workers and the slowdown in their relative supply is that the college-high school wage difference has increased sharply. This rise in the skill premium should create incentives for young men to obtain higher levels of education, but that has not occurred.

Beyond the broad market forces of supply and demand, institutional features have also contributed to declining employment among prime-aged men. One important factor has been the rising share of working age men who receive disability insurance. The percentage of prime-aged men receiving Social Security Disability Insurance (SSDI) doubled from 2.4 percent in 1970 to 4.8 percent in 2009.

Research by David Autor (MIT) and Mark Duggan (Maryland) suggests that much of the increase in SSDI claims can be traced to declining labor market opportunities for less-skilled workers, which made benefits more attractive than the wages available in the market. Once receiving disability insurance, workers have few incentives to leave – they are



essentially not allowed to work while on SSDI, and there are few incentives for employers to make accommodations for workers with disabilities. As a result, many disabled workers who would be able and willing to work with appropriate accommodations and good opportunities go the disability insurance route. [For more on this, see page 18.]

THE LONG ROAD BACK

To succeed, policies to offset adverse labor market outcomes must address the root causes. First, the skill attainment of men must rise – which would require bolstering traditional education at every level as well as investing more in alternative programs, like preschool education and adult training. Second, it is important to improve the incentives for men to remain in the labor force.

None of this will matter much, of course,

unless the economy grows, which in the long run depends on raising productivity through public and private investment. In each of these areas, the Hamilton Project has put forward targeted, evidenced-based policies from leading researchers, some of which are summarized below.

Boosting Skills

A critical difference between the current period of technological growth and previous periods is that technology has won the race with education – the training of male workers has failed to keep up with the increasing demands for skilled workers. Beefing up educational attainment is thus an obvious first step. More Americans should finish high school and get a college degree (which is easier said than done).

But it takes more to gain skills than years

TRENDS

spent warming a classroom seat. Research suggests early childhood interventions, like Head Start, can make a big difference later on by increasing basic cognitive and social skills. The quality of K-12 education also matters – in particular, the quality of teachers.

Career academies, which blend academic instruction with workplace experience, have a solid track record in increasing later earnings for young men.

While post-secondary educational investments remain a great investment for many, millions more can't make it through college – hence, the value of other educational interventions. Career academies, which work with high schools and local employers to blend academic instruction with workplace experience, have a solid track record in increasing later earnings for young men. MDRC, the nonprofit policy evaluation group, found that career academies raised the earning of male participants by more than \$12,000 over the following four years.

Training programs can also help workers move between fields. They generally produce more successful outcomes when directed at younger workers, and are especially beneficial when the training is in technical fields or is linked to specific employment opportunities. Community colleges, in particular, can play a vital role in improving the earnings of transitioning workers.

Keeping Workers in the Labor Force

The declining labor market prospects of men

have led many of them to leave the labor force altogether. A reform of the SSDI program to encourage work is one important step for reversing this trend. Similarly, tax incentives could also foster greater labor force participation. The earned income tax credit – a negative income tax for low-income workers – has been praised for its success in bringing low-skilled parents (primarily women) into the labor force in the 1990s. Many labor market specialists argue that it would make sense to expand the EITC to low-skilled workers who are not parents. (A bill to this end passed the House in 2009.)

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The American Dream promises that every generation achieves more than the last. But over the past several decades this dream has moved out of reach for many Americans of working age, even as the U.S. economy continued to expand.

The long-term challenges facing the U.S. work force are significant, but there are many concrete steps that could raise the wages of those with jobs and coax those who have left the labor force back to work – for example, investments in skills and education, and policies that encourage work. These policies, ranging from big reforms to small tweaks, have the potential to get men back in the labor force, improve their productivity and lift their wages.

In an era of trillion-dollar federal deficits, overextended state and local governments and political division over the appropriate role of government, finding the resources needed to get American men back on track won't be easy. However, the problems facing America's work force are grave. Policies, like the ones discussed in this article, can help reverse the decline in earnings and lead to a brighter future for American workers. **M**